

**CALIFORNIA STATE UNIVERSITY STANISLAUS  
AUXILIARY AND BUSINESS SERVICES**

**(A California Nonprofit Corporation)**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2011**

**CALIFORNIA STATE UNIVERSITY STANISLAUS  
AUXILIARY AND BUSINESS SERVICES  
(A California Nonprofit Corporation)**

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
California State University Stanislaus Auxiliary and Business Services  
(A California Nonprofit Organization)  
Turlock, California

We have audited the accompanying statement of financial position of California State University Stanislaus Auxiliary and Business Services as of June 30, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of California State University Stanislaus Auxiliary and Business Services management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from California State University Stanislaus Auxiliary and Business Services' 2010 financial statements and, in our report dated August 16, 2010 we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California State University Stanislaus Auxiliary and Business Services as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on pages 21 through 28 is presented for purposes of additional analysis and is not a part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit or the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole

*Clendenin Bird & Company, P.C.*

**CLENDENIN BIRD & COMPANY, PC**

Modesto, California

September 2, 2011

**CALIFORNIA STATE UNIVERSITY STANISLAUS  
AUXILIARY AND BUSINESS SERVICES  
(A California Nonprofit Corporation)**

**STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2011  
WITH TOTALS FOR 2010 FOR COMPARISON PURPOSES ONLY**

	2011	2010
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 2,013,747	\$ 2,746,147
Accounts Receivable	46,250	29,230
Accrued Interest Receivable	2,162	3,183
Due from Related Parties	40,287	1,432
Total Current Assets	2,102,446	2,779,992
<b>FIXED ASSETS</b>		
Land	287,300	287,300
Construction in Process	0	195,399
Buildings	5,805,944	5,329,891
Leasehold Improvements	6,056,054	5,922,779
Equipment, Furniture, and Fixtures	586,470	504,227
Less Accumulated Depreciation	( 3,531,384)	( 3,109,521)
Net Fixed Assets	9,204,384	9,130,075
<b>OTHER ASSETS</b>		
Bond Issuance Costs	38,355	41,619
Total Other Assets	38,355	41,619
<b>TOTAL ASSETS</b>	<b>\$ 11,345,185</b>	<b>\$ 11,951,686</b>

SEE ACCOMPANYING NOTES

**CALIFORNIA STATE UNIVERSITY STANISLAUS  
AUXILIARY AND BUSINESS SERVICES  
(A California Nonprofit Corporation)**

**STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2011  
WITH TOTALS FOR 2010 FOR COMPARISON PURPOSES ONLY**

	2011	2010
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 2,047	\$ 24,343
Accrued Interest Payable	66,971	66,363
Accrued CalPERS Payable	400,000	0
Due to Related Parties	116,257	218,340
Warrior Card Liability	35,290	32,140
Current Portion of Capital Lease	77,476	72,042
Current Portion of Bond Payable	210,000	205,000
Current Portion of Bond Premium	10,797	9,072
Total Current Liabilities	918,838	627,300
 <b>LONG-TERM LIABILITIES</b>		
Post-Retirement Benefit Obligation	166,529	171,606
Capital Lease	4,595,081	4,672,557
Bond Payable	3,055,000	3,265,000
Bond Premium	182,988	193,785
Total Long-Term Liabilities	7,999,598	8,302,948
Total Liabilities	8,918,436	8,930,248
 <b>NET ASSETS</b>		
Unrestricted:		
Undesignated Net Assets	453,944	644,230
Board Designated Net Assets	1,972,805	2,377,208
Total Net Assets	2,426,749	3,021,438
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 \$ 11,345,185	 \$ 11,951,686

SEE ACCOMPANYING NOTES

**CALIFORNIA STATE UNIVERSITY STANISLAUS  
AUXILIARY AND BUSINESS SERVICES  
(A California Nonprofit Corporation)**

**STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011  
WITH TOTALS FOR 2010 FOR COMPARISON PURPOSES ONLY**

	Unrestricted	Temporarily Restricted	Total	
			2011	2010
<b>REVENUES AND OTHER SUPPORT</b>				
Commissions	\$ 578,493	\$ 0	\$ 578,493	\$ 634,922
Rental Income	580,000	0	580,000	490,800
Investment Income	10,273	0	10,273	17,583
Gain/(Loss) on Impairment of Asset	0	0	0	( 188,774)
Other Sources (See Note 10)	112,070	0	112,070	186,568
Total Revenue and Other Support	1,280,836	0	1,280,836	1,141,099
 <b>FUNCTIONAL EXPENSES</b>				
General Administrative Services	475,347	0	475,347	309,304
Bookstore	531,595	0	531,595	520,995
Campus Dining	260,048	0	260,048	253,845
Residential Life Village	336,830	0	336,830	486,972
Vending	23,921	0	23,921	3,416
Warrior Card	44,164	0	44,164	26,298
Investment	3,620	0	3,620	3,564
Institutional Support	200,000	0	200,000	270,165
Total expenses	1,875,525	0	1,875,525	1,874,559
 <b>CHANGE IN NET ASSETS</b>	( 594,689)	0	( 594,689)	( 733,460)
 <b>NET ASSETS, Beginning of Year</b>	3,021,438	0	3,021,438	3,754,898
 <b>NET ASSETS, End of Year</b>	\$ 2,426,749	\$ 0	\$ 2,426,749	\$ 3,021,438

SEE ACCOMPANYING NOTES

**CALIFORNIA STATE UNIVERSITY STANISLAUS  
AUXILIARY AND BUSINESS SERVICES  
(A California Nonprofit Corporation)**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2011  
WITH TOTALS FOR 2010 FOR COMPARISON PURPOSES ONLY**

	2011	2010
<b>CASH FLOWS PROVIDED/(USED) BY OPERATING ACTIVITIES</b>		
Change in net assets	(\$ 594,689)	(\$ 733,460)
Adjustments to Reconcile Change in Net Assets to Net Cash		
Used by Operating Activities		
Depreciation and Amortization	434,754	395,315
Loss on Donation of Equipment	5,574	0
Loss on Impairment of Asset	0	188,774
Effect of Changes in:		
(Increase) Decrease in:		
Accounts Receivable	( 17,020)	18,625
Accrued Interest Receivable	1,021	0
Received from Related Parties	( 38,855)	40,242
Prepaid Lease Expense	0	894
Increase (Decrease) in:		
Accounts Payable	( 22,296)	7,220
Accrued Interest Payable	608	( 8,015)
Accrued CalPERS Payable	400,000	0
Bond Premium Amortization	( 9,072)	( 6,750)
Due to Related Parties	( 102,083)	207,917
Warrior Card Liabilities	3,150	6,945
Post-Retirement Benefit Obligation	( 5,077)	8,624
Net Cash Provided/(Used) by Operating Activities	56,015	126,331
<b>CASH FLOWS PROVIDED/(USED) BY INVESTING ACTIVITIES</b>		
Net Decrease in Investments	0	1,375
Purchase of Fixed Assets	( 511,373)	( 364,987)
Net Cash Provided/(Used) by Investing Activities	( 511,373)	( 363,612)
<b>CASH FLOWS PROVIDED/(USED) BY FINANCING ACTIVITIES</b>		
Principal Paid on Capital Lease	( 72,042)	( 71,344)
Principal Paid on Capital Debt	( 205,000)	( 195,000)
Net Cash Provided/(Used) by Financing Activities	( 277,042)	( 266,344)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	( 732,400)	( 503,625)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of Year	2,746,147	3,249,772
End of Year	\$ 2,013,747	\$ 2,746,147
<b>SUPPLEMENTAL INFORMATION</b>		
Interest Paid	323,626	328,910
Assets Acquired Through Debt Financing	0	0

SEE ACCOMPANYING NOTES

**CALIFORNIA STATE UNIVERSITY STANISLAUS  
AUXILIARY AND BUSINESS SERVICES  
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**STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2011  
WITH TOTALS FOR 2010 FOR COMPARISON PURPOSES ONLY**

<b>FUNCTIONAL EXPENSES</b>	General Admin.			Residential Life
	Services	Bookstore	Campus Dining	Village
Depreciation Expense	\$ 0	\$ 171,383	\$ 111,503	\$ 148,604
Interest Expense	0	246,510	0	144,086
Benefits & Payroll Taxes	382,760	0	0	0
Awards, Gifts & Donations	5,574	9,506	0	0
Accounting & Professional	50,608	31,572	47,357	7,893
Outside Services	2,239	35,288	35,326	
Repair & Maintenance	0	4,371	43,773	16,723
Insurance	219	12,966	16,045	14,260
Overhead Chancellor Office	24,094	0	0	0
Utilities	0	19,383	0	0
Other/ External Reimbursements	0	0	0	0
Supplies & Services	55	0	4,532	0
State Pro Rata Changes	5,874	0	0	0
Tax & Licenses	190	0	0	2,000
Printing	449	0	0	0
Bank Charges	211	0	0	0
Amortization	0	0	0	3,264
Minor Equipment	618	460	1,512	0
Travel	1,696	156	0	0
Advertising	0	0	0	0
Dues & Fees	406	0	0	0
Postage & Freight	354	0	0	0
Miscellaneous	0	0	0	0
Salaries	0	0	0	0
Other Post Employee Benefits	0	0	0	0
Workers Compensation	0	0	0	0
Marketing	0	0	0	0
Legal	0	0	0	0
Staff Development	0	0	0	0
Total Expenses	<u>\$ 475,347</u>	<u>\$ 531,595</u>	<u>\$ 260,048</u>	<u>\$ 336,830</u>

SEE ACCOMPANYING NOTES

Vending Operations	Warrior Card	Investment	Institutional Support	Totals	
				2011	2010
\$ 0	\$ 0	\$ 0	\$ 0	\$ 431,490	\$ 392,051
0	0	0	0	390,596	395,273
0	0	0	0	382,760	49,471
0	0	0	200,000	215,080	217,224
7,892	31,572	0	0	176,894	69,246
0	0	0	0	72,853	41,839
0	29	0	0	64,896	268,155
0	0	0	0	43,490	37,979
0	0	0	0	24,094	15,343
0	0	0	0	19,383	35,614
16,000	0	0	0	16,000	200,000
29	3,484	0	0	8,100	42,707
0	0	0	0	5,874	4,073
0	0	3,620	0	5,810	3,724
0	4,158	0	0	4,607	1,230
0	3,975	0	0	4,186	3,989
0	0	0	0	3,264	3,264
0	0	0	0	2,590	4,440
0	46	0	0	1,898	( 63)
0	900	0	0	900	0
0	0	0	0	406	355
0	0	0	0	354	489
0	0	0	0	0	45,143
0	0	0	0	0	23,884
0	0	0	0	0	15,193
0	0	0	0	0	1,880
0	0	0	0	0	1,093
0	0	0	0	0	552
0	0	0	0	0	411
<u>\$ 23,921</u>	<u>\$ 44,164</u>	<u>\$ 3,620</u>	<u>\$ 200,000</u>	<u>\$ 1,875,525</u>	<u>\$ 1,874,559</u>

SEE ACCOMPANYING NOTES

**CALIFORNIA STATE UNIVERSITY, STANISLAUS  
AUXILIARY AND BUSINESS SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

California State University, Stanislaus Auxiliary and Business Services (Auxiliary) was incorporated in the State of California on October 3, 1960, under the name of California State University, Stanislaus Foundation. Effective July 1, 1998, the Auxiliary changed the name of the corporation to California State University, Stanislaus Auxiliary and Business Services. The Corporation also authorized the use of the name California State University, Stanislaus Foundation for a new non-profit corporation. Furthermore, effective July 1, 1998, the operations and assets of noncommercial activities were transferred to the new non-profit corporation.

The Auxiliary was formed and operates as an auxiliary organization of California State University Stanislaus (CSU Stanislaus) which has campuses in Turlock and Stockton, California. The Auxiliary arranges for services to students and faculty including dormitory, food service and campus bookstore. The bookstore and food services are provided by way of lease agreements with independent commercial vendors.

**Basis of Presentation**

The financial statements of the Auxiliary have been prepared on the accrual basis of accounting. The Auxiliary presents information about its financial position and activities in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In this reporting period, the Auxiliary had only unrestricted net assets. Within the unrestricted net assets, the Board of Directors has the right to designate funds to specified uses. See Note 9 for Board designated amounts.

**Income Tax Status**

The Auxiliary is exempt from Federal and California income taxes under Section 501(c)(3) of the Internal Revenue Service Code and Section 23701(d) of the California Revenue and Taxation Code. It is classified as a public charity. There have been no events that would affect the tax-exempt status of the Auxiliary.

**Fixed Assets**

Fixed assets are recorded in the plant fund at cost. The Auxiliary follows the practice of capitalizing all expenditures for fixed assets in excess of \$5,000. Depreciation is being recorded on all fixed assets using the straight-line method over estimated useful lives of the assets. The useful lives of property and equipment for the purposes of computing depreciation are as follows:

Residential Life Village	40 Years
Building and Leasehold Improvements	5 – 30 Years
Equipment, Furniture and Fixtures	3 – 20 Years

**CALIFORNIA STATE UNIVERSITY, STANISLAUS  
AUXILIARY AND BUSINESS SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Functional Expenses**

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are not allocated but are charged to supporting services.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents**

For financial statement purposes, the Auxiliary considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Receivables**

The Auxiliary has extended uncollateralized credit to CSU Stanislaus, California State University, Stanislaus Foundation (Foundation), Associated Students Incorporated of California State University, Stanislaus (Associated Students), University Student Union of California State University, Stanislaus (Student Union). Terms are net 30 days.

**NOTE 2- CASH AND INVESTMENTS**

Cash and investments as of June 30, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
Cash on hand	\$ 100	\$ 100
Deposits with Financial institutions	111,845	407,993
Investment in LAIF	<u>1,901,802</u>	<u>2,338,054</u>
Total cash and investments	<u>\$2,013,747</u>	<u>\$2,746,147</u>

The Federal Depository Insurance Corporation (FDIC) provides insurance coverage for up to \$250,000 per depositor in each FDIC insured financial institution. At June 30, 2011, the Auxiliary did not have cash in excess of federally insured amounts.

**CALIFORNIA STATE UNIVERSITY, STANISLAUS  
AUXILIARY AND BUSINESS SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 2- CASH AND INVESTMENTS (Continued)**

From December 31, 2010 through December 31, 2012, all noninterest-bearing transaction accounts are fully insured, regardless of the account balance and the ownership capacity of the funds. This coverage is available to all depositors, including consumers, businesses, and government entities. The unlimited coverage is separate from, and in addition to, the insurance coverage provided for a depositor's other accounts held at an FDIC-insured bank.

In addition, the Auxiliary has deposited cash in the State Treasury's Local Agency Investment Fund (LAIF). Deposits in LAIF are carried at fair value as reported by LAIF and are not insured.

**Investments In LAIF**

The Auxiliary has invested in the State of California's Local Agency Investment Fund (LAIF). LAIF has disclosed that at June 30, 2011 and 2010, 5.01 and 5.42 percent of its assets respectively were invested in structured notes and asset-backed securities. Cash deposited with LAIF is part of an investment pool which is restricted by State code as to the types of investments they can make.

**NOTE 3- ACCOUNTS RECEIVABLE**

A provision for doubtful accounts has not been established as management considers all accounts to be collectible based upon favorable history over a substantial period of time. If amounts become uncollectible, they will be charged to operations when that determination is made. In the unlikely event that all individuals and entities who have unpaid balances fail to pay, the maximum recognized loss at June 30, 2011 and 2010 would be \$86,537 and \$30,662, respectively, of which \$40,287 and \$1,432 are due from related parties.

**NOTE 4- RESIDENTIAL LIFE VILLAGE**

In 1993 the Auxiliary, in a joint project with the State of California, built Residential Life Village I. The Auxiliary's portion of the project consists of two structures: Building 37, a three-story structure providing twenty-five apartment units to accommodate one hundred students; Building 39, the Community Center. In 1996 the Auxiliary built Residential Life Village II. The project consists of Building 37A, another three-story structures providing twenty-four apartment units to accommodate ninety-six students. These projects were financed by bonds as described in note 7, titled "Long-Term Debt."

**CALIFORNIA STATE UNIVERSITY, STANISLAUS  
AUXILIARY AND BUSINESS SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 5-FIXED ASSETS**

Fixed assets at June 30, 2011 consist of the following:

	<u>Balance</u> <u>6/30/2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/2011</u>
Land	\$ 287,300	\$ 0	\$ 0	\$ 287,300
Work In Progress	195,399	494,580	( 689,979)	0
Buildings	5,329,891	476,053	0	5,805,944
Lease Improvements	5,922,779	133,275	0	6,056,054
Machinery & Equipment	<u>504,227</u>	<u>97,444</u>	<u>( 15,201)</u>	<u>586,470</u>
<b>TOTAL</b>	<u>12,239,596</u>	<u>1,201,352</u>	<u>( 705,180)</u>	<u>12,735,768</u>

Accumulated Depreciation

Buildings	( 2,000,379)	( 148,604)	0	( 2,148,983)
Lease Improvements	( 733,059)	( 230,231)	0	( 963,290)
Machinery & Equipment	<u>( 376,083)</u>	<u>( 52,655)</u>	<u>9,627</u>	<u>( 419,111)</u>
	<u>( 3,109,521)</u>	<u>( 431,490)</u>	<u>9,627</u>	<u>( 3,531,384)</u>
 Net Fixed Assets	 <u>\$ 9,130,075</u>			 <u>\$ 9,204,384</u>

**NOTE 6- CAPITAL LEASE – BOOKSTORE**

The Auxiliary has entered into a lease agreement as lessee for financing the acquisition of the bookstore from the State of California. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

**CALIFORNIA STATE UNIVERSITY, STANISLAUS  
AUXILIARY AND BUSINESS SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 6- CAPITAL LEASE – BOOKSTORE (Continued)**

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 77,476	\$ 241,436
2013	82,991	237,517
2014	88,118	232,968
2015	88,410	228,596
2016	93,592	223,741
2017-2021	549,516	1,040,400
2022-2026	718,716	880,241
2027-2031	921,015	672,657
2032-2036	1,185,858	405,612
2037-2039	866,865	81,200
Total	<u>\$ 4,672,557</u>	<u>\$ 4,244,368</u>

Interest expense for the capital lease for the year ended June 30, 2011 and 2010 were \$246,510 and \$249,139, respectively.

The interest expense has been recalculated to reflect amounts for each fiscal year ending June 30. Previously, the amounts were reported as of the payment schedule.

**NOTE 7- LONG-TERM DEBT**

On September 28, 1995, \$5,980,000 of Auxiliary Organization Revenue Certificates of Participation were issued to provide the necessary funding for the development and construction of the Residential Life Village II and the defeasance for the bonds issued on April 30, 1992. The \$1,285,000 of Serial Certificates bore interest at rates ranging from 3.75 percent to 4.875 percent per annum. Interest was payable semiannually on June 1 and December 1 in each year, commencing on December 1, 1995. Principal payments commenced on June 1, 1996. This series was advance refunded in April 2008.

The \$3,665,000 of Term Certificates bears interest at a rate varying from 3.5 to 5 percent per annum. Principal and unpaid interest will be due and payable as of November 1, 2022. The bonds were issued at premium in the amount of \$213,809, which is being amortized over the life of the bonds. The bond issuance cost was \$48,964, which is being amortized over the life of the bonds.

**CALIFORNIA STATE UNIVERSITY, STANISLAUS  
AUXILIARY AND BUSINESS SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 7- LONG-TERM DEBT (Continued)**

	Beginning Balance June 30, 2010	Additions	Deductions	Ending Balance June 30, 2011	Due Within One Year
Bonds Payable:					
Revenue Bonds	\$ 3,470,000	\$ 0	(\$ 205,000)	\$ 3,265,000	\$ 210,000
Total Bonds Payable	<u>3,470,000</u>	<u>0</u>	<u>( 205,000)</u>	<u>3,265,000</u>	<u>210,000</u>
Unamortized Bond Premium	202,857	0	( 9,072)	193,785	10,797
Long-Term Liabilities of Governmental Activities	<u>\$ 3,672,857</u>	<u>\$ 0</u>	<u>(\$ 214,072)</u>	<u>\$ 3,458,785</u>	<u>\$ 220,797</u>

Principal maturities of the bond payable are as following:

Year Ending June 30	Principal	Interest
2012	\$ 210,000	\$ 149,025
2013	220,000	140,558
2014	230,000	131,308
2015	240,000	120,125
2016	250,000	110,042
2017-2021	1,435,000	372,188
2022-2023	680,000	45,833
Total	<u>\$ 3,265,000</u>	<u>\$ 1,069,079</u>

Interest expense for the long-term debt for the year ended June 30, 2011 was \$144,086.

Bond issuance cost and bond premium amortizations are as follows:

Year Ending June 30	Issuance Costs	Premium
2012	\$ 3,264	\$ 10,797
2013	3,264	19,641
2014	3,264	15,819
2015	3,264	22,292
2016	3,264	11,608
2017-2021	16,320	91,541
2022-2023	5,715	22,087
Total	<u>\$ 38,355</u>	<u>\$ 193,785</u>

The interest expense and bond premium have been recalculated to reflect amounts for each fiscal year ending June 30. Previously, the amounts were reported as of the payment schedule.

**CALIFORNIA STATE UNIVERSITY, STANISLAUS  
AUXILIARY AND BUSINESS SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 8- UNEMPLOYMENT INSURANCE TRUST**

The California State University, Stanislaus Auxiliary and Business Services (Auxiliary) was a member of the Auxiliary Organization Unemployment Insurance Trust (Trust). The Trust is a self-insurance fund for California State unemployment claims. The members of the Trust are nonprofit, public benefit auxiliary organizations affiliated with the various campuses of the California State University System. As of June 30, 2011, the Auxiliary was no longer a member of this Trust and was refunded the members' equity on November 12, 2010 in the amount of \$156,014. The Auxiliary's share was \$140,413. The remaining amount was remitted to University Students Union of CSU Stanislaus and Associated Student Incorporated of CSU Stanislaus.

**NOTE 9- BOARD DESIGNATED FUND**

Designated funds consist of funds reserved for the following items:

Dining Activities	\$ 122,285
Dining Plant	150,000
Vending Activities	5,174
Bookstore Activities	255,945
Bookstore Facility	25,000
Warrior cash	30,167
Admin & Business Srvs	101,363
Pension Liabilty CAL Pers	360,000
Post-retirement benefits	166,529
Stockton Auxiliary	257,942
Residential Life Village Activities	198,400
Residential Life Village Plant	300,000
Totals	<u>\$ 1,972,805</u>

**CALIFORNIA STATE UNIVERSITY, STANISLAUS  
AUXILIARY AND BUSINESS SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 10 – OTHER INCOME SOURCES**

Other sources of income on the Statement of Activities consist of the following:

	2011	2010
Unemployment Trust Refund	\$ 140,413	\$ 0
Refund from University	0	161,815
Royalties	36,677	23,005
Transfer to University	( 91,000)	0
Other	25,980	1,748
Total Other Sources	\$ 112,070	\$ 186,568

**NOTE 11- RELATED PARTY TRANSACTIONS**

The Auxiliary is related to the following entities:

California State University, Stanislaus  
California State University, Stanislaus Foundation  
Associated Students Incorporated of California State University, Stanislaus  
University Student Union of California State University, Stanislaus

Transactions with the above entities consist of the following:

	CSU				2011 Total	2010 Total
	Stanislaus	ASI	FDN	USU		
Accounts Receivable	\$ 0	\$ 12,904	\$ 0	\$ 27,383	\$ 40,287	\$ 1,432
Accounts Payable	( 116,257)	0	0	0	( 116,257)	( 218,340)
Reimbursement for Salaries of Personnel	2,485	0	0	10,713	13,198	46,513
Administration Fees & Other Reimbursements	1,483,083	5,202	22,791	12,678	1,523,754	1,217,073
Gifts to the University	6,587	0	200,000	0	206,587	398,383
Payments Received	( 581,109)	( 1,500)	( 2,675)	0	( 585,284)	( 656,532)

**NOTE 12 – SUPPLEMENTAL INFORMATION**

Under the GAAP requirements of financial reporting for auxiliary organizations, the Auxiliary is required to report the financial statements in a format in accordance with GASB 34, 35, 37 and 38. The supplemental information included with the financial statements is in this format and is submitted to the University and the Office of the Chancellor to be combined with the California State University system as a whole.

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**NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 13- POST-RETIREMENT BENEFIT PLAN**

The Auxiliary provides lifetime postretirement medical coverage to employees (and their dependents) who retire at age 50 or older with at least five years of service from the Auxiliary, the Associated Students or the Student Union. The Auxiliary pays a portion of the cost of the benefit, up to a predetermined cap. Retirees are responsible for costs in excess of the cap. At June 30, 2011, the Auxiliary had two retired employees who were eligible to participate in the plan. The plan's obligations and funded status for the Auxiliary at June 30, 2011 and 2010 are as follows:

<u>Obligations and Funded Status</u>	<u>2011</u>	<u>2010</u>
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 171,606	\$ 162,982
Service cost	0	0
Interest cost	9,170	9,893
Amendments	N/A	N/A
Actuarial (gain)/loss	( 3,672)	7,960
Acquisition	N/A	N/A
Benefits paid	( 10,575)	( 9,229)
Benefit obligation at end of year	<u>166,529</u>	<u>171,606</u>
Funded status		
Benefit obligation at June 30, 2011 and 2010	166,529	171,606
Unrecognized net transition obligation	0	0
Unrecognized net actuarial (gain) loss	( 286,043)	( 297,105)
Prepaid (accrued) benefit cost	( 452,572)	( 468,711)
Measurement date	June 30, 2011	June 30, 2010
(Unfunded) funded status at end of year	( 166,529)	( 171,606)
Amounts recognized in the statement of financial positions at June 30, 2011 and 2010 consist of		
Noncurrent liabilities	( 166,529)	( 171,606)
Net periodic benefit cost		
Service cost	0	0
Interest cost	9,170	9,893
Expected return on plan assets	0	0
Amortization of transition obligation	0	0
Amortization of prior service cost	0	0
Amortization of net (gain)loss	( 14,734)	( 15,198)
Net periodic benefit costs	<u>( 5,564)</u>	<u>( 5,305)</u>

**CALIFORNIA STATE UNIVERSITY, STANISLAUS  
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**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 13- POST-RETIREMENT BENEFIT PLAN (Continued)**

<u>Assumptions</u>	<u>2011</u>	<u>2010</u>
Weighted-average assumptions used to determine benefit obligations ar June 30, 2011 and 2010		
Discount rate	5.75%	5.50%
Expected long-term return on plan assets	N/A	N/A
Rate of compensation increase	N/A	N/A
Health care cost trend rate assumed for next year	7.30%	7.60%
Rate to which the cost trend rate is assumed to Decline (the ultimate trend rate)	5.50%	5.50%
Year that the rate reaches the ultimate trend rate	7 years	8 years
Expected benefit payments		
2012	\$ 10,650	\$ 10,650
2013	11,312	11,312
2014	11,969	11,969
2015	9,359	9,359
2016	9,798	N/A
Years 2017 - 2021, 2016 - 2020, respectively	54,331	52,681

The estimated net transition obligation and net actuarial (gain)/loss that will be amortized from the changes in unrestricted net assets into net periodic benefit cost over the next fiscal year are \$0 and \$(14,734), respectively.

The two retired employees covered under this plan were originally employees of the California State University, Stanislaus Foundation. In 2008 – 2009, the Auxiliary agreed to pay for the employees’ post retirement benefits because the Foundation had no discretionary funds to pay this obligation.

**NOTE 14- PENSION PLAN**

The Auxiliary is a member of the California Public Employees’ Retirement System (PERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating entities within the State of California. The four auxiliaries at California State University, Stanislaus, contribute to PERS through the Auxiliary. All direct full-time Auxiliary employees are covered by the plan. (Reimbursed employees are covered by the CSU Stanislaus’ plan).

**CALIFORNIA STATE UNIVERSITY, STANISLAUS  
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**NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 14 - PENSION PLAN (Continued)**

Starting July 1, 2008, the Auxiliary's full-time employees were paid by California State University, Stanislaus; therefore, the Auxiliary did not participate in PERS for the year ended June 30, 2010.

The total unfunded pension benefit obligation for this plan at June 30, 2009, is noted below and relates to the four auxiliaries at California State University, Stanislaus, although each entity's portion is undetermined.

Funded status of pooled plan

Valuation date	<u>6/30/2009</u>
Accrued liabilities	\$582,841,869
Actuarial value of assets	553,953,526
Unfunded liability (excess assets)	28,888,343
Funded status	95.00%
Annual covered payroll	184,319,666
Unfunded liability (excess assets) as a percentage of covered payroll	15.7%

The significant actuarial assumptions used to calculate the above pension benefit obligation are the following:

Investment rate of return (net of administrative expenses)	7.75%
Salary growth (depending on age, services, and type of employment)	3.55% - 14.45%
Inflation	3.00%
Overall payroll growth	3.25%

Actuarial information as of June 30, 2011, is currently unavailable.

PERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the PERS' annual financial report may be obtained from the CalPERS Headquarters Office, Lincoln Plaza North, 400 Q Street, Sacramento, California 95811. Information about benefits and contributions expected to be paid in each of the next five fiscal years and the five years thereafter have not been provided by PERS.

Employer contributions by the Auxiliary for the fiscal year ended June 30, 2011 was \$18,958.

The Auxiliary is currently applying for termination of the plan and anticipates an obligation of \$400,000 to be due within the 2011/2012 fiscal year.

**CALIFORNIA STATE UNIVERSITY, STANISLAUS  
AUXILIARY AND BUSINESS SERVICES**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 15- FAIR VALUE OF FINANCIAL INSTRUMENTS**

The following methods and assumptions were used by the Auxiliary in estimating the fair value of its financial instruments:

Investments – The fair value of investments in marketable equity and debt securities is based on quoted market prices. Non-marketable debt securities are valued based on estimated discounted future cash flows; non-marketable equity securities are carried at estimated current value if it is possible to determine this, otherwise at cost.

Due from/to Related Organization – The carrying amounts reported in the statement of financial position approximates fair value due to the short-term nature of the receivable.

The estimated fair values of the Auxiliary’s financial instruments are as follows:

	Carrying Value	Fair Value	Carrying Value	Fair Value
	<u>June 30, 2011</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2010</u>
Short-term investments	\$ 0	\$ 0	\$ 0	\$ 0
Due from related organization	40,287	40,287	1,432	1,432
Due to related organization	116,257	116,257	218,340	218,340

**NOTE 16 - PRIOR YEAR COMPARATIVE INFORMATION**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30 of the prior year, from which the summarized information was derived. The Organization has reclassified items in the prior year columns on the financial statements in order to provide more accurate comparable totals.

**NOTE 17 – EVALUATION OF SUBSEQUENT EVENTS**

The Auxiliary has evaluated subsequent events through September 2, 2011 the date which the financial statements were available to be issued.

## **SUPPLEMENTAL INFORMATION**

**CALIFORNIA STATE UNIVERSITY, STANISLAUS  
AUXILIARY AND BUSINESS SERVICES  
(A California Nonprofit Corporation)**

**SCHEDULE OF NET ASSETS  
JUNE 30, 2011**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$	111,945
Short-Term Investments - LAIF		1,901,802
Accounts Receivable, Net		88,699
Leases Receivable, Current Portion		0
Notes Receivable, Current Portion		0
Pledges Receivable, Net		0
Prepaid Expenses and Other Assets		0
Total Current Assets		2,102,446

**NONCURRENT ASSETS**

Restricted Cash and Cash Equivalents		0
Accounts Receivable, Net		0
Leases Receivable, Net of Current Portion		0
Notes Receivable, Net of Current Portion		0
Student Loans Receivable, Net		0
Pledges Receivable, Net		0
Endowment Investments		0
Other Long-Term Investments		0
Capital Assets, Net		9,204,384
Other Assets		38,355
Total Noncurrent Assets		9,242,739

TOTAL ASSETS	\$	11,345,185
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SEE AUDITOR'S REPORT

**CALIFORNIA STATE UNIVERSITY, STANISLAUS  
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**SCHEDULE OF NET ASSETS  
JUNE 30, 2011**

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts Payable	\$	518,304
Accrued Salaries and Benefits Payable		0
Accrued Compensated Absences - Current Portion		0
Deferred Revenue		0
Capitalized Lease Obligations - Current Portion		77,476
Long-term Debt Obligations - Current Portion		210,000
Self-insurance Claims Liability - Current Portion		0
Other Liabilities		102,261
		908,041
Total Current Liabilities		908,041

**NONCURRENT LIABILITIES**

Accrued Compensated Absences, Net of Current Portion		0
Deferred Revenue		0
Capitalized Lease Obligations, Net of Current Portion		4,595,081
Grants Refundable		0
Long-term Debt Obligations, Net of Current Portion		3,248,785
Self-insurance Claims Liability, Net of Current Portion		0
Depository Accounts		0
Other Postemployment Benefits Obligation		166,529
		8,010,395
Total Noncurrent liabilities		8,010,395

**TOTAL LIABILITIES**

8,918,436

**NET ASSETS**

Invested in Capital Assets, Net of Related Debt		1,073,042
Restricted for:		
Nonexpendable - endowments		0
Expendable:		
Scholarships and Fellowships		0
Research		0
Loans		0
Capital Project		0
Debt Service		0
Other		0
Unrestricted		1,353,707
		1,353,707

**TOTAL NET ASSETS**

\$ 2,426,749

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**CALIFORNIA STATE UNIVERSITY, STANISLAUS  
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**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2011**

**REVENUES**

OPERATING REVENUES

Student Tuition and Fees (Net of Scholarship Allowances of \$0)	\$	0
Grants and Contracts, Noncapital:		
Federal		0
State and Local		0
Nongovernmental		0
Sales and Services of Educational Activities		0
Sales and Services of Auxiliary Enterprises (Net Scholarship of \$0)		1,158,493
Other Operating Revenues		112,070
Total Operating Revenues		1,270,563

**EXPENSES**

OPERATING EXPENSES

Instruction		0
Research		0
Public Service		0
Academic Support		0
Student Services		704,654
Institutional Support		216,000
Operation and Maintenance of Plant		129,521
Student Grants and Scholarships		0
Auxiliary Enterprise Expenses		0
Depreciation and Amortization		434,754
Total Operating Expenses		1,484,929
Operating Income	(	214,366)

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**CALIFORNIA STATE UNIVERSITY, STANISLAUS  
AUXILIARY AND BUSINESS SERVICES  
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**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2011**

**NONOPERATING REVENUES (EXPENSES)**

State Appropriations, Noncapital	0
Federal Financial Aid Grants, Noncapital	0
State and Local Financial Aid Grants, Noncapital	0
Nongovernmental and Other Financial Aid Grants, Noncapital	0
Gifts, Noncapital	0
Investment Income, Net	10,273
Endowment Income	0
Interest on Capital-Related Debt	( 390,596)
Other Nonoperating Revenues (Expenses)	<u>0</u>
Net Nonoperating Revenues	<u>( 380,323)</u>
Income Before Other Additions	( 594,689)
State Appropriations, Capital	0
Grants and Gifts, Capital	0
Additions to Permanent Endowments	<u>0</u>
Increase in Net Assets	( 594,689)
<b>NET ASSETS</b>	
Net Assets at Beginning of Year	<u>3,021,438</u>
Net Assets at End of Year	<u><u>\$ 2,426,749</u></u>

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**CALIFORNIA STATE UNIVERSITY, STANISLAUS  
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**OTHER INFORMATION  
JUNE 30, 2011**

**1 Restricted Cash and Cash Equivalents at June 30, 2011**

All Other Restricted Cash and Cash Equivalents:

Total Restricted Cash and Cash Equivalents                     0

**2.1 Composition of Investments at June 30, 2011**

	Current Unrestricted	Noncurrent Unrestricted	Total 2011
Local Agency Investment Fund	\$ 1,901,802	0	\$ 1,901,802
Other Investments	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Inves</b>	<b><u>\$ 1,901,802</u></b>	<b><u>0</u></b>	<b><u>\$ 1,901,802</u></b>

**3.1 Compositions of Capital Assets At June 30, 2011**

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011
Nondepreciable Capital Assets:				
Land and Land Improvements	\$ 287,300	\$ 0	\$ 0	\$ 287,300
Construction in Progress	<u>195,399</u>	<u>494,580</u>	<u>( 689,979)</u>	<u>0</u>
Total Nondepreciable Capital Assets	482,699	494,580	( 689,979)	287,300
Depreciable Capital Assets				
Buildings	5,329,891	476,053	0	5,805,944
Leasehold Improvements	5,922,779	133,275	0	6,056,054
Personal Property:				
Equipment	<u>504,227</u>	<u>97,444</u>	<u>( 15,201)</u>	<u>586,470</u>
Total Depreciable Capital Assets	<u>11,756,897</u>	<u>706,772</u>	<u>( 15,201)</u>	<u>12,448,468</u>
Total Capital Assets	<b><u>\$ 12,239,596</u></b>	<b><u>\$ 1,201,352</u></b>	<b><u>\$ (705,180)</u></b>	<b><u>\$ 12,735,768</u></b>

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**CALIFORNIA STATE UNIVERSITY, STANISLAUS  
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**OTHER INFORMATION  
JUNE 30, 2011**

**3.1 Compositions of Capital Assets At June 30, 2011 (Continued)**

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2011</u>
Less Accumulated Depreciation:				
Buildings	(\$ 2,000,379)	(\$ 148,604)	0	(\$ 2,148,983)
Leasehold Improvements	( 733,059)	( 230,231)	0	( 963,290)
Personal Property:				
Equipment	( 376,083)	( 52,655)	9,627	( 419,111)
Total Accumulated Depreciation	( 3,109,521)	( 431,490)	9,627	( 3,531,384)
Net Capital Assets	<u>\$ 9,130,075</u>	<u>\$ 769,862</u>	<u>(\$ 695,553)</u>	<u>\$ 9,204,384</u>

**Detail of Depreciation and Amortization Expense**

Depreciation and Amortization Expense Related to Capital Assets	\$ 431,490
Amortization Expense Related to Other Assets	3,264
Total Depreciation and Amortization	<u>\$ 434,754</u>

**4 Long-term liabilities activity schedule:**

	<u>Beginning Balance June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance June 30, 2011</u>	<u>Due Within One Year</u>	<u>Long-term Portion</u>
Capitalized Lease Obligations:						
Gross Balance	\$ 4,744,599	\$ 0	(\$ 72,042)	\$ 4,672,557	\$ 77,476	\$ 4,595,081
Total Capitalized Lease Obligation	<u>4,744,599</u>	<u>0</u>	<u>( 72,042)</u>	<u>4,672,557</u>	<u>77,476</u>	<u>\$ 4,595,081</u>
Long-Term Debt Obligations:						
Revenue Bond	3,470,000	0	( 205,000)	3,265,000	210,000	3,055,000
Total Long-Term Debt Obligations	3,470,000	0	( 205,000)	3,265,000	210,000	3,055,000
Unamortized Bond Premium	202,857	0	( 9,072)	193,785	0	193,785
Total Long-Term Debt Obligations, Net	<u>3,672,857</u>	<u>0</u>	<u>( 214,072)</u>	<u>3,458,785</u>	<u>210,000</u>	<u>3,248,785</u>
Total Long-Term Liabilities	<u>\$ 8,417,456</u>	<u>\$ 0</u>	<u>(\$ 286,114)</u>	<u>\$ 8,131,342</u>	<u>\$ 287,476</u>	<u>\$ 7,843,866</u>

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**CALIFORNIA STATE UNIVERSITY, STANISLAUS  
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**OTHER INFORMATION  
JUNE 30, 2011**

**5 Future minimum lease payments - capital lease obligations:**

Year Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Principal and Interest</u>
2012	\$ 77,476	\$ 241,436	\$ 318,912
2013	82,991	237,517	320,508
2014	88,118	232,968	321,086
2015	88,410	228,596	317,006
2016	93,592	223,741	317,333
2017 - 2021	549,516	1,040,400	1,589,916
2022 - 2026	718,716	880,241	1,598,957
2027 - 2031	921,015	672,657	1,593,672
2032 - 2036	1,185,858	405,612	1,591,470
2037- 2039	866,865	81,200	<u>948,065</u>
Total Minimum Lease Payments			8,916,925
Less Amounts Representing Interest			( 4,244,368)
Present Value of Future Minimum Lease Payments			4,672,557
Less Current Portion			( 77,476)
<b>Capitalized Lease Obligation, Net of Current Portion</b>			<b><u>\$ 4,595,081</u></b>

**6 Long-term debt obligation schedule:**

Year Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Principal and Interest</u>
2012	210,000	149,025	\$ 359,025
2013	220,000	140,558	360,558
2014	230,000	131,308	361,308
2015	240,000	120,125	360,125
2016	250,000	110,042	360,042
2017-2021	1,435,000	372,188	1,807,188
2022-2023	680,000	45,833	725,833
<b>Total</b>	<b><u>\$ 3,265,000</u></b>	<b><u>\$ 1,069,079</u></b>	<b><u>\$ 4,334,079</u></b>

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**CALIFORNIA STATE UNIVERSITY, STANISLAUS  
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**OTHER INFORMATION  
JUNE 30, 2011**

**7 Calculation of net assets**

	<b>Auxiliary Organizations</b>		<b>Total</b>
	<b>GASB</b>	<b>FASB</b>	<b>Auxiliaries</b>
<b>7.1 Calculation of Net Assets - Invested in Capital Assets, Net of Related Debt</b>			
Capital assets, net of accumulated depreciation	\$ 0	\$ 9,204,384	\$ 9,204,384
Capital Lease - Current Portion	0	( 77,476)	( 77,476)
Capital Lease - Net Of Current Portion		( 4,595,081)	( 4,595,081)
Long-Term Debt Obligations - Current Portion	0	( 210,000)	( 210,000)
Long-Term Debt Obligations - Net Of Current Portion	0	( 3,248,785)	( 3,248,785)
Net Assets - Invested in Capital Assets, Net of Related Debt	<u>\$ 0</u>	<u>\$ 1,073,042</u>	<u>\$ 1,073,042</u>

**8 Transactions with Related Entities**

	<u>Amount</u>
Payments to University for salaries of University personnel working on contracts, grants, and other program	\$ 2,485
Payments to University for other than salaries of University personnel	1,483,083
Payments received from University for services, space, and programs	581,109
Gifts (cash or assets) to the University from recognized Auxiliary Organizations	6,587
Accounts (payable to) University (enter as negative number)	( 116,257)
Accounts receivable from University	0

**9 Other Postemployment Benefits Obligation (OPEB)**

Annual required contribution (ARC)	(\$ 5,077)
Contributions during the year	<u>0</u>
Increase (Decrease) in net OPEB obligation (NOO)	( 5,077)
NOO Beginning of Year	<u>171,606</u>
NOO End of Year	<u>\$ 166,529</u>

**10 The nature and amount of the prior period adjustment(s) recorded to beginning net assets: None**

SEE AUDITOR'S REPORT